

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **City of Grosse Pointe Park, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2006**

# City of Grosse Pointe Park, Michigan

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# City of Grosse Pointe Park, Michigan

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## Independent Auditor's Report

To the City Council  
City of Grosse Pointe Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Park, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grosse Pointe Park, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Park, Michigan as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Grosse Pointe Park, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Park, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 20, 2006

# City of Grosse Pointe Park, Michigan

## Management's Discussion and Analysis

Our discussion and analysis of the City of Grosse Pointe Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Grosse Pointe Park, Michigan on a government-wide basis. They are designed to present a longer-term view of the City's finances. Fund financial statements follow the above-mentioned government-wide statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the City's operations in more detail than government-wide financial statements.

### The City of Grosse Pointe Park, Michigan as a Whole

In a condensed format, the table below shows the comparison of net assets as of June 30, 2006 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 2,534,934	\$ 2,618,037	\$ 1,230,299	\$ 1,031,305	\$ 3,765,233	\$ 3,649,342
Noncurrent assets:						
Investments	72,166	90,244	-	-	72,166	90,244
Capital assets	14,973,027	15,138,791	21,181,726	21,663,215	36,154,753	36,802,006
Total assets	17,580,127	17,847,072	22,412,025	22,694,520	39,992,152	40,541,592
<b>Liabilities</b>						
Current liabilities	1,664,854	1,600,233	2,498,023	2,689,490	4,162,877	4,289,723
Long-term liabilities	5,775,428	6,304,484	14,225,000	15,355,000	20,000,428	21,659,484
Total liabilities	7,440,282	7,904,717	16,723,023	18,044,490	24,163,305	25,949,207
<b>Net Assets (Deficit)</b>						
Invested in capital assets -						
Net of related debt	9,678,014	9,196,271	5,826,726	5,203,215	15,504,740	14,399,486
Restricted	622,486	905,403	-	-	622,486	905,403
Unrestricted	(160,655)	(159,319)	(137,724)	(553,185)	(298,379)	(712,504)
Total net assets (deficit)	<u>\$ 10,139,845</u>	<u>\$ 9,942,355</u>	<u>\$ 5,689,002</u>	<u>\$ 4,650,030</u>	<u>\$ 15,828,847</u>	<u>\$ 14,592,385</u>

The City's combined net assets increased 7.2 percent from a year ago, increasing from \$14.6 million to \$15.8 million. A review of governmental activities, separate from the business-type activities, reflected \$10.1 million in total net assets. Of this total, \$9.7 million is invested in capital assets net of related debt. The unrestricted portion of net assets decreased as a result of the decrease in fund balance in the General Fund, Capital Improvement Fund, and nearly all Special Revenue Funds during the year.

# City of Grosse Pointe Park, Michigan

## Management's Discussion and Analysis (Continued)

Long-term debt from governmental activities reflected a decrease of approximately \$580,000 as a result of principal payments upon various notes, and installment purchase contracts.

The business-type activities reflected a total of \$5,689,002 in net assets; substantially all amounts are invested in capital assets, net of related debt. The unrestricted portion of net assets increased as a result of the positive operating results for the year.

Long-term debt of business-type activities reflected a reduction of \$1,105,000 as a result of principal payments upon the storm sewer system debt obligation.

The following table shows the changes in net assets for the year ended June 30, 2006 as compared with the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 2,223,510	\$ 2,108,149	\$ 5,050,832	\$ 4,672,974	\$ 7,274,342	\$ 6,781,123
Operating grants and contributions	775,376	855,008	-	-	775,376	855,008
Capital grants and contributions	41,269	17,500	-	-	41,269	17,500
General revenues:						
Property taxes	7,382,074	7,228,387	-	-	7,382,074	7,228,387
State-shared revenues	1,118,554	1,130,005	-	-	1,118,554	1,130,005
Cable franchise fees	136,905	132,238	-	-	136,905	132,238
Investment earnings	139,238	55,129	-	-	139,238	55,129
Miscellaneous	32,912	136,759	-	-	32,912	136,759
Total revenue	11,849,838	11,663,175	5,050,832	4,672,974	16,900,670	16,336,149
<b>Program Expenses</b>						
General government	1,085,499	1,533,607	-	-	1,085,499	1,533,607
Public safety	5,444,554	4,856,001	-	-	5,444,554	4,856,001
Public works	3,250,046	3,387,446	-	-	3,250,046	3,387,446
Recreation and culture	1,615,948	1,501,094	-	-	1,615,948	1,501,094
Interest on long-term debt	256,301	264,704	-	-	256,301	264,704
Water and sewer	-	-	3,751,381	3,605,154	3,751,381	3,605,154
Marina	-	-	260,479	232,552	260,479	232,552
Total expenses	11,652,348	11,542,852	4,011,860	3,837,706	15,664,208	15,380,558
<b>Change in Net Assets</b>	197,490	120,323	1,038,972	835,268	1,236,462	955,591
<b>Net Assets - Beginning of year</b>	9,942,355	9,822,032	4,650,030	3,814,762	14,592,385	13,636,794
<b>Net Assets - End of year</b>	<u>\$ 10,139,845</u>	<u>\$ 9,942,355</u>	<u>\$ 5,689,002</u>	<u>\$ 4,650,030</u>	<u>\$ 15,828,847</u>	<u>\$ 14,592,385</u>



# **City of Grosse Pointe Park, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Revenues for the City's governmental activities totaled \$11,849,838. These revenues were utilized to provide essential municipal services including public safety, parks and recreation activities, and street maintenance.

Public safety department expenditures accounted for 46.1 percent of the governmental activities operational expenditures. The public works and the recreation and culture departments represented 40.2 percent of the operating costs, while general and administrative costs were limited to 10.6 percent of the governmental activities operating costs, thereby reflecting our focus on resources for the delivery of essential services to residents.

The City has established a P.A. 149 account for the purpose of setting aside funds for the future retiree health costs and continued to meet its actuarial recommended contributions for the employees' defined benefit pension plan. This program is funded in part by employee contributions of 1.5 percent of gross payroll.

### **Business-type Activities**

The City's business-type activities are recorded in the Water and Sewer and Marina Funds. The City provides water and sewer services, which are purchased from the City of Detroit Water and Sewerage Department, to all its residents. Water and sewer revenues totaled \$4,781,467 for the 2006 fiscal year. These revenues provided the principal and interest payments of \$1,462,919 for the City's storm water system debt notes. The balance of \$3,318,548 in revenues was used for general operating costs and to compensate our provider, the Detroit Water and Sewerage Department, a total of \$1,881,137 for direct water and sewer fees. These direct fees represented an 11.2 percent increase from the previous year. Actual Detroit Water and Sewerage Department direct costs represented in total 57 percent of our revenue collections after the allowance for principal and interest payments.

The balance of business-type activities represents the City's 268 well marina operations; revenues for 2006 totaled \$269,365.

### **The City's Funds**

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing. The City's major funds for 2006 include the General Fund and the Water and Sewer Fund.

# **City of Grosse Pointe Park, Michigan**

## **Management's Discussion and Analysis (Continued)**

The General Fund accounts for the majority of the City's governmental day-to-day services. The most significant of these were the public safety (police and fire), which incurred expenditures of approximately \$5.2 million in 2006. The general operating millage levied by the City supports these services. The Capital Improvement Fund is used by the City to account for most capital outlay expenditures. Transfers from other funds or debt issuance proceeds support these funds.

### **General Fund Budgetary Highlights**

Over the course of the year, the City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The budget was increased for revenue sources that were not anticipated at the start of the year. In addition, the budget for transfers to other funds was increased to reflect many additional transfers made to the Capital Improvement Fund.

### **Capital Asset and Debt Administration**

At the end of fiscal year 2006, the City had \$31,402,809, net of depreciation, invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, and water and sewer lines. In addition, the City is reporting infrastructure assets, which include roads, sidewalks, and storm drains in which it has invested. The value of the infrastructure assets, net of depreciation contained in this report, is \$4,751,944 and \$4,816,842 for fiscal years 2006 and 2005, respectively (see Note 4 to the notes to the basic financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned capital and infrastructure assets and is reported as a liability on the statement of net assets (see Note 6 of the basic financial statements for additional information). During the year, the City reduced total long-term debt by \$1,684,224.

### **Economic Factors and Next Year's Budgets and Rates**

Since 1989, the City has reduced its total property tax millage rate from 17.15 mills to the current 13.24 mills for the 2006 fiscal year; this represents a 23 percent reduction. Strong expenditure controls and past growth in the City's tax base have helped to accomplish this millage rate reduction. Property taxes make up 66.3 percent of the General Fund budget. Because of Proposal A, which limits the growth on existing property to the rate of inflation, and a lessening of new growth and development in the City, future tax reductions will be unlikely. The inflation rate for this coming year is predicted to be approximately 3.8 percent and state revenue sharing, which represents 11.7 percent of the General Fund budget, is unlikely to increase due to State cutbacks. These factors have lessened the City's ability to reduce its millage rates.

# **City of Grosse Pointe Park, Michigan**

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## **Management's Discussion and Analysis (Continued)**

On the expenditure side, the City continues to operate with relatively low personnel costs and an efficient labor force. Due to declines experienced with stock and bond markets, coupled with extended actuarial life expectancies, which significantly increased the employer pension costs along with significant increased health insurance costs, the City has efficiently offset these costs through an array of administrative changes. This includes increasing drug co-pays, modifying future retiree health care coverage, and staffing adjustments within the Department of Public Services and Public Safety Department.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the administrative offices at City Hall.

# City of Grosse Pointe Park, Michigan

## Statement of Net Assets June 30, 2006

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 161,339	\$ 178,070	\$ 339,409	\$ -
Receivables - Net:				
Taxes	422,722	-	422,722	-
Accounts	86,028	1,052,229	1,138,257	-
Other governmental units:				
Component units	340,210	-	340,210	-
Other	475,612	-	475,612	-
Primary government	-	-	-	168,791
Internal balances (Note 5)	720,793	(720,793)	-	-
Investment in joint venture (Note 10)	72,166	-	72,166	-
Prepaid expenses and deposits (Notes 4 and 7)	328,230	-	328,230	300,000
Property held for resale (Note 4)	-	-	-	360,108
Capital assets (Note 4):				
Assets not depreciated	1,966,418	-	1,966,418	823,050
Assets being depreciated - Net	13,006,609	21,181,726	34,188,335	-
<b>Total assets</b>	<b>17,580,127</b>	<b>21,691,232</b>	<b>39,271,359</b>	<b>1,651,949</b>
<b>Liabilities</b>				
Accounts payable	399,655	641,962	1,041,617	1,360
Accrued and other liabilities	455,797	5,268	461,065	2,913
Due to other governmental units:				
Component units	168,791	-	168,791	-
Other	46,272	-	46,272	-
Primary government	-	-	-	340,210
Noncurrent liabilities (Note 6):				
Due within one year	594,339	1,130,000	1,724,339	201,410
Due in more than one year	5,775,428	14,225,000	20,000,428	658,632
<b>Total liabilities</b>	<b>7,440,282</b>	<b>16,002,230</b>	<b>23,442,512</b>	<b>1,204,525</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	9,678,014	5,826,726	15,504,740	313,008
Restricted:				
Streets	333,157	-	333,157	-
Garbage and rubbish collection	244,786	-	244,786	-
Building inspection	918	-	918	-
Drug law enforcement	43,625	-	43,625	-
Unrestricted (deficit)	(160,655)	(137,724)	(298,379)	134,416
<b>Total net assets</b>	<b>\$ 10,139,845</b>	<b>\$ 5,689,002</b>	<b>\$ 15,828,847</b>	<b>\$ 447,424</b>

# City of Grosse Pointe Park, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 1,085,499	\$ 1,108,693	\$ -	\$ -
Public safety	5,444,554	122,607	64,640	41,269
Public works	3,250,046	422,864	710,736	-
Recreation and culture	1,615,948	569,346	-	-
Interest on long-term debt	256,301	-	-	-
Total governmental activities	11,652,348	2,223,510	775,376	41,269
Business-type activities:				
Water and sewer	3,751,381	4,781,467	-	-
Marina	260,479	269,365	-	-
Total business-type activities	4,011,860	5,050,832	-	-
Total primary government	<u>\$ 15,664,208</u>	<u>\$ 7,274,342</u>	<u>\$ 775,376</u>	<u>\$ 41,269</u>
Component units:				
Downtown Development Authority	\$ 82,222	\$ -	\$ -	\$ -
Tax Increment Finance Authority	637,664	-	-	-
Total component units	<u>\$ 719,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Cable franchise fees				
Investment earnings				
Miscellaneous				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ 23,194	\$ -	\$ 23,194	\$ -
(5,216,038)	-	(5,216,038)	-
(2,116,446)	-	(2,116,446)	-
(1,046,602)	-	(1,046,602)	-
(256,301)	-	(256,301)	-
(8,612,193)	-	(8,612,193)	-
-	1,030,086	1,030,086	-
-	8,886	8,886	-
-	1,038,972	1,038,972	-
(8,612,193)	1,038,972	(7,573,221)	-
-	-	-	(82,222)
-	-	-	(637,664)
-	-	-	(719,886)
7,382,074	-	7,382,074	928,759
1,118,554	-	1,118,554	-
136,905	-	136,905	-
139,238	-	139,238	-
32,912	-	32,912	-
8,809,683	-	8,809,683	928,759
197,490	1,038,972	1,236,462	208,873
9,942,355	4,650,030	14,592,385	238,551
<b>\$ 10,139,845</b>	<b>\$ 5,689,002</b>	<b>\$ 15,828,847</b>	<b>\$ 447,424</b>

# City of Grosse Pointe Park, Michigan

## Governmental Funds Balance Sheet June 30, 2006

	Major Fund - General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 3)	\$ 71,520	\$ 89,819	\$ 161,339
Receivables - Net:			
Taxes	422,722	-	422,722
Accounts	55,019	31,009	86,028
Other governmental units:			
Component units	339,850	360	340,210
Other	363,580	112,032	475,612
Due from other funds (Note 5)	800,633	774,326	1,574,959
Deposits (Note 7)	328,230	-	328,230
Total assets	<u>\$ 2,381,554</u>	<u>\$ 1,007,546</u>	<u>\$ 3,389,100</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 259,803	\$ 139,852	\$ 399,655
Accrued and other liabilities	331,921	43,441	375,362
Due to other governmental units:			
Component units	168,791	-	168,791
Other	46,272	-	46,272
Due to other funds	705,585	148,581	854,166
Total liabilities	1,512,372	331,874	1,844,246
<b>Fund Balances</b>			
Unreserved	869,182	-	869,182
Unreserved, reported in:			
Special Revenue Funds	-	628,986	628,986
Debt Service Funds	-	2,024	2,024
Capital Projects Funds	-	44,662	44,662
Total fund balances	<u>869,182</u>	<u>675,672</u>	<u>1,544,854</u>
Total liabilities and fund balances	<u>\$ 2,381,554</u>	<u>\$ 1,007,546</u>	<u>\$ 3,389,100</u>

# City of Grosse Pointe Park, Michigan

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## **Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2006**

**Fund Balance - Total Governmental Funds** \$ 1,544,854

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds 14,973,027

Investment in joint venture is not included as an  
asset in the governmental funds 72,166

Long-term liabilities are not due and payable in the current period  
and are not reported in the governmental funds:

Notes and bonds payable	(5,295,013)
Compensated absences	(1,074,754)

Accrued interest payable is not included as a liability in the  
governmental funds (80,435)

**Net Assets - Governmental Activities** \$ 10,139,845



# City of Grosse Pointe Park, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	Major Fund - General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 6,451,111	\$ 930,963	\$ 7,382,074
Licenses and permits	192,787	-	192,787
Federal sources	41,269	-	41,269
State sources	1,126,836	710,736	1,837,572
Charges for services	757,059	329,851	1,086,910
Fines and forfeitures	560,558	-	560,558
Interest and rent	273,768	2,300	276,068
Other	446,178	44,500	490,678
Total revenue	9,849,566	2,018,350	11,867,916
<b>Expenditures</b>			
Current:			
General government	1,063,121	-	1,063,121
Public safety	5,151,789	2,275	5,154,064
Public works	800,979	1,743,941	2,544,920
Recreation and culture	1,411,321	-	1,411,321
Capital outlay	-	988,574	988,574
Debt service:			
Principal	131,755	515,752	647,507
Interest	33,758	237,185	270,943
Total expenditures	8,592,723	3,487,727	12,080,450
<b>Excess of Revenue Over (Under) Expenditures</b>	1,256,843	(1,469,377)	(212,534)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,662,542	1,662,542
Transfers out	(1,157,492)	(505,050)	(1,662,542)
Total other financing sources (uses)	(1,157,492)	1,157,492	-
<b>Net Change in Fund Balances</b>	99,351	(311,885)	(212,534)
<b>Fund Balances - Beginning of year</b>	769,831	987,557	1,757,388
<b>Fund Balances - End of year</b>	<u>\$ 869,182</u>	<u>\$ 675,672</u>	<u>\$ 1,544,854</u>

# City of Grosse Pointe Park, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ (212,534)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (1,083,688)	
Capital outlay	<u>917,924</u>	(165,764)

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	14,642
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	647,507
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Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	(68,283)
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Income from a joint venture is reported in the statement of activities as it is earned; this revenue is reported in the governmental funds when distributions are received:

Joint venture income	4,085
Joint venture distribution	<u>(22,163)</u>

**Change in Net Assets of Governmental Activities** \$ 197,490

# City of Grosse Pointe Park, Michigan

## Proprietary Funds Enterprise Funds Statement of Net Assets June 30, 2006

	Major Fund - Water and Sewer	Nonmajor Fund - Marina	Total
<b>Assets</b>			
Current assets:			
Cash and investments (Note 3)	\$ -	\$ 178,070	\$ 178,070
Accounts receivable - Customers - Net	1,052,229	-	1,052,229
Total current assets	1,052,229	178,070	1,230,299
Capital assets (Note 4)	21,117,633	64,093	21,181,726
Total assets	22,169,862	242,163	22,412,025
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	636,374	5,588	641,962
Accrued and other liabilities	3,462	1,806	5,268
Due to other funds	686,793	34,000	720,793
Current portion of long-term debt (Note 6)	1,130,000	-	1,130,000
Total current liabilities	2,456,629	41,394	2,498,023
Long-term debt - Net of current portion (Note 6)	14,225,000	-	14,225,000
Total liabilities	16,681,629	41,394	16,723,023
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	5,762,633	64,093	5,826,726
Unrestricted (deficit)	(274,400)	136,676	(137,724)
Total net assets	<u>\$ 5,488,233</u>	<u>\$ 200,769</u>	<u>\$ 5,689,002</u>

# City of Grosse Pointe Park, Michigan

## **Proprietary Funds** **Enterprise Funds** **Statement of Revenue, Expenses, and Changes in Net Assets** **Year Ended June 30, 2006**

	Major Fund - Water and Sewer	Nonmajor Fund - Marina	Total
<b>Operating Revenue - Customer billings</b>	\$ 4,781,467	\$ 269,365	\$ 5,050,832
<b>Operating Expenses</b>			
Cost of water	548,650	-	548,650
Cost of sewage disposal	1,332,487	-	1,332,487
Operation and maintenance	303,596	230,548	534,144
General and administrative	729,946	17,000	746,946
Depreciation	478,783	12,931	491,714
Total operating expenses	<u>3,393,462</u>	<u>260,479</u>	<u>3,653,941</u>
<b>Operating Income</b>	1,388,005	8,886	1,396,891
<b>Nonoperating Expense - Interest expense</b>	<u>(357,919)</u>	<u>-</u>	<u>(357,919)</u>
<b>Change in Net Assets</b>	1,030,086	8,886	1,038,972
<b>Net Assets - Beginning of year</b>	<u>4,458,147</u>	<u>191,883</u>	<u>4,650,030</u>
<b>Net Assets - End of year</b>	<u><u>\$ 5,488,233</u></u>	<u><u>\$ 200,769</u></u>	<u><u>\$ 5,689,002</u></u>

# City of Grosse Pointe Park, Michigan

## Proprietary Funds Enterprise Funds Statement of Cash Flows Year Ended June 30, 2006

	Major Fund - Water and Sewer	Nonmajor Fund - Marina	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 4,619,211	\$ 269,365	\$ 4,888,576
Payments to suppliers for water and sewage disposal	(1,657,414)	-	(1,657,414)
Payments to other suppliers and employees	(1,488,652)	(232,627)	(1,721,279)
Net cash provided by operating activities	1,473,145	36,738	1,509,883
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal and interest paid on capital debt	(1,473,145)	-	(1,473,145)
<b>Net Increase in Cash and Cash Equivalents</b>	-	36,738	36,738
<b>Cash and Cash Equivalents - Beginning of year</b>	-	141,332	141,332
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ -</u>	<u>\$ 178,070</u>	<u>\$ 178,070</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 1,388,005	\$ 8,886	\$ 1,396,891
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	478,783	12,931	491,714
Changes in assets and liabilities:			
Receivables	(162,256)	-	(162,256)
Accounts payable	223,723	(2,954)	220,769
Accrued and other liabilities	305	875	1,180
Due to other funds	(455,415)	17,000	(438,415)
Net cash provided by operating activities	<u>\$ 1,473,145</u>	<u>\$ 36,738</u>	<u>\$ 1,509,883</u>

There were no significant noncash investing or financing activities during the year.

# City of Grosse Pointe Park, Michigan

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## **Fiduciary Funds Pension and Other Employee Benefit Trust Funds Retiree Healthcare Fund Statement of Net Assets June 30, 2006**

### **Assets**

Investments - Mutual fund (Note 3)	\$ 279,099
Contributions receivable	<u>77,450</u>
Total assets	<u><u>\$ 356,549</u></u>

**Net Assets** - Held in trust for pension and other  
employee benefits

\$ 356,549

# City of Grosse Pointe Park, Michigan

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## **Fiduciary Funds Pension and Other Employee Benefit Trust Funds Retiree Healthcare Fund Statement of Changes in Net Assets Year Ended June 30, 2006**

### **Additions**

Investment income - Net increase in fair value of investments	\$ 15,205
Contributions:	
Employee	53,088
Employer	<u>54,828</u>
Total contributions	<u>107,916</u>

**Change in Net Assets** 123,121

### **Net Assets Held in Trust for Pension and Other Employee Benefits**

Beginning of year	<u>233,428</u>
End of year	<u><u>\$ 356,549</u></u>

# City of Grosse Pointe Park, Michigan

## Component Units Statement of Net Assets June 30, 2006

	Downtown Development Authority	Tax Increment Finance Authority	Total
<b>Assets</b>			
Due from other governmental units -			
Primary government	\$ 81,409	\$ 87,382	\$ 168,791
Deposits	300,000	-	300,000
Property held for resale	-	360,108	360,108
Capital assets (Note 4)	-	823,050	823,050
Total assets	381,409	1,270,540	1,651,949
<b>Liabilities</b>			
Accounts payable	-	1,360	1,360
Due to other governmental units -			
Primary government	308,302	31,908	340,210
Accrued and other liabilities	-	2,913	2,913
Noncurrent liabilities (Note 6):			
Due within one year	-	201,410	201,410
Due in more than one year	-	658,632	658,632
Total liabilities	308,302	896,223	1,204,525
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	-	313,008	313,008
Unrestricted	73,107	61,309	134,416
Total net assets	\$ 73,107	\$ 374,317	\$ 447,424



# City of Grosse Pointe Park, Michigan

## Component Units Statement of Activities Year Ended June 30, 2006

		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Downtown Development Authority	Tax Increment Finance Authority	Total
Downtown Development Authority - Public works	\$ 82,222	\$ (82,222)	\$ -	\$ (82,222)
Tax Increment Finance Authority - Public works	<u>637,664</u>	<u>-</u>	<u>(637,664)</u>	<u>(637,664)</u>
Total governmental activities	<u><b>\$ 719,886</b></u>	(82,222)	(637,664)	(719,886)
General revenues - Taxes		<u>143,972</u>	<u>784,787</u>	<u>928,759</u>
<b>Change in Net Assets</b>		61,750	147,123	208,873
<b>Net Assets</b> - Beginning of year		<u>11,357</u>	<u>227,194</u>	<u>238,551</u>
<b>Net Assets</b> - End of year		<u><b>\$ 73,107</b></u>	<u><b>\$ 374,317</b></u>	<u><b>\$ 447,424</b></u>

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2006

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Grosse Pointe Park, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

#### **Reporting Entity**

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City, although the City has the ability to impose its will over the entities.

#### **Blended Component Unit**

**Building Authority** - The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The Building Authority is reported as a nonmajor Debt Service Fund.

#### **Discretely Presented Component Units**

**Downtown Development Authority** - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA collects captured property taxes in accordance with state law and budgets expenditures within the DDA district boundaries. The DDA's governing body is appointed by the City Council.

**Tax Increment Finance Authority** - The Tax Increment Finance Authority (TIFA) was created to encourage economic activity within the TIFA district boundaries. The TIFA collects captured property taxes in accordance with state law and budgets expenditures within the TIFA district boundaries. The TIFA's governing body is appointed by the City Council.

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2006

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major governmental fund and major Enterprise Fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major Enterprise Fund:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2006

### **Note I - Summary of Significant Accounting Policies (Continued)**

Additionally, the City reports the following fiduciary fund:

**Retiree Healthcare Fund** - The Retiree Healthcare Fund, a pension and other employee benefit trust fund type, accounts for the accumulation of resources that are legally restricted for payment of retiree health care benefits.

#### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Enterprise Funds.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts and property tax receivables are shown as net of allowance for uncollectible amounts.

**Property Taxes** - The City participates in the Delinquent Tax Revolving Fund maintained by Wayne County. Property taxes are assessed on December 31 and are levied and become a lien on July 1. These taxes are due on August 31; however, payment may be made from September 1 through February 28 with penalty. Taxes are considered delinquent and are turned over to Wayne County for collection on March 1.

The 2005 taxable valuation (real and personal property) of the City totaled \$577,772,486, on which ad valorem taxes levied consisted of 11.52 mills for the City's operating purposes and 1.72 mills for refuse. The ad valorem taxes generated \$6,451,000 for general operations and \$931,000 for refuse, net of taxes captured by the DDA and TIFA. These amounts are reported in the General Fund and the Garbage and Rubbish Collection Special Revenue Fund as tax revenue.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, water and sewer systems, etc.), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Roads and sidewalks	20 to 25 years
Water and sewer systems	40 to 60 years
Land improvements	20 years
Buildings and building improvements	20 to 50 years
Machinery and equipment	8 to 20 years
Marina	15 to 33 years

**Deposits and Property Held for Resale** - The deposit in the amount of \$300,000 represents a deposit paid by the City for the construction of a parking lot that is expected to be completed within three years. Upon completion of the parking lot, the deposit will be capitalized and depreciated as a capital asset of the component unit. If the parking lot is not completed, the deposit will be returned to the City. Property held for resale in the amount of \$360,108 consists of one parcel of property that the City intends to sell within one year. The asset is recorded at cost, which approximates fair value.

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when due for payment (generally for employee terminations as of year end).

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except transfers to other funds are budgeted as expenditures. All annual appropriations lapse at fiscal year end.

Budgets for the fiscal year commencing July 1 are prepared by the city manager and submitted to the City Council prior to May 1 each year. A public hearing is conducted to obtain taxpayer comments and the City Council legally adopts the budget through the appropriation ordinance prior to June 1.

The budget document presents information by fund, activity, and line item. The legal level of budgetary control adopted by the City Council is the activity level for the General Fund and the fund level for Special Revenue Funds. Budget amendments were not significant during the year; however, the budget was amended subsequent to June 30, 2006.

Amounts encumbered for purchase orders, contracts, and other commitments are not tracked during the year. Budget appropriations are considered to be spent only when an expenditure has been recognized (i.e., when goods are received or services are rendered).

**Excess of Expenditures Over Appropriations in Budgeted Funds** – During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund - Transfers to other funds	\$ 822,800	\$ 1,157,492

The variance is due to transfers for capital projects not amended for in the budget.

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits and Investments (Continued)

The Retiree Healthcare Fund is also authorized by Michigan Public Act 149 of 1999, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles authorized by Michigan Public Act 314 of 1965, as amended..

The City has designated one bank for the deposit of its funds. The City's investment policy, adopted in accordance with Public Act 196 of 1997, authorizes all investments permitted by Public Act 20 of 1943.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The bank balance of the City's deposits, including the component units, whose deposits are held in the name of the City of Grosse Pointe Park, totaled \$444,386, of which \$200,000 is covered by federal depository insurance. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices. At June 30, 2006, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 311,287	AAA	Moody's
Mutual fund	279,099	Not rated	Not rated

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City's mutual fund investment is subject to interest rate risk. However, maturity information is not available.



# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits and Investments (Continued)

**Concentration of Credit Risk** - The City's investment policy places no limit on the amount that may be invested in any one issuer. At June 30, 2006, there were no investments in any one issuer (other than the U.S. government) that exceeded 5 percent of total investments.

### Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

#### Governmental Activities

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated -				
Land	\$ 1,846,418	\$ 120,000	\$ -	\$ 1,966,418
Capital assets being depreciated:				
Roads and sidewalks	11,285,269	459,650	-	11,744,919
Land improvements	1,969,966	7,852	-	1,977,818
Buildings	8,342,395	5,926	-	8,348,321
Machinery and equipment	3,042,955	324,496	-	3,367,451
Subtotal	24,640,585	797,924	-	25,438,509
Accumulated depreciation:				
Roads and sidewalks	6,468,427	524,548	-	6,992,975
Land improvements	1,182,308	97,561	-	1,279,869
Buildings	2,178,954	217,171	-	2,396,125
Machinery and equipment	1,518,523	244,408	-	1,762,931
Subtotal	11,348,212	1,083,688	-	12,431,900
Net capital assets being depreciated	13,292,373	(285,764)	-	13,006,609
Net capital assets	<u>\$ 15,138,791</u>	<u>\$ (165,764)</u>	<u>\$ -</u>	<u>\$ 14,973,027</u>

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 4 - Capital Assets (Continued)

#### Business-type Activities

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets being depreciated:				
Water system	\$ 285,180	\$ -	\$ -	\$ 285,180
Sewer system	26,730,951	-	-	26,730,951
Buildings and improvements	465,037	-	-	465,037
Machinery and equipment	564,994	10,226	-	575,220
Marina	406,473	-	-	406,473
Subtotal	28,452,635	10,226	-	28,462,861
Accumulated depreciation:				
Water system	189,820	1,537		191,357
Sewer system	5,586,628	435,907	-	6,022,535
Buildings and improvements	205,052	15,484	-	220,536
Machinery and equipment	478,472	25,856	-	504,328
Marina	329,448	12,931	-	342,379
Subtotal	6,789,420	491,715	-	7,281,135
Net capital assets	<u>\$ 21,663,215</u>	<u>\$ (481,489)</u>	<u>\$ -</u>	<u>\$ 21,181,726</u>

**Component Units** - The capital assets of the component units consist of land totaling \$823,050.

Depreciation expense was charged to programs of the governmental activities as follows:

General government	\$ 81,704
Public safety	178,086
Public works	604,338
Recreation and culture	219,560
Total governmental activities	<u>\$ 1,083,688</u>

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 686,793
General Fund	Other nonmajor funds	113,840
Other nonmajor funds	General Fund	705,585
Other nonmajor funds	Other nonmajor funds	68,741
Total		<u>\$ 1,574,959</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

	Transfers Out		
	General Fund	Other Governmental Funds	Total
Transfers in:			
General Fund	\$ -	\$ -	\$ -
Other governmental funds	<u>1,157,492 (1)</u>	<u>505,050 (2)</u>	<u>1,662,542</u>
Total	<u>\$ 1,157,492</u>	<u>\$ 505,050</u>	<u>\$ 1,662,542</u>

(1) Transfer of discretionary funds to be used for the benefit of the community (\$972,492) and transfer for debt service payments (\$185,000)

(2) Transfer of Act 51 revenue-sharing payments from Major Streets Fund to Local Streets Fund as permitted by State law (\$196,550) and transfer for debt service payments (\$308,500)

### Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 6 - Long-term Debt (Continued)

Long-term debt activity is summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
1992 City of Grosse Pointe Park Building Authority Bonds:							
Amount of Issue - \$2,285,000	4.375% -	\$115,000 -					
Maturing through 2012	5.90%	\$190,000	\$ 1,245,000	\$ -	\$ 125,000	\$ 1,120,000	\$ 130,000
1998 Fox Creek Limited Tax Bonds							
Amount of Issue - \$1,950,000	4.70%	\$115,000 -					
Maturing through 2013		\$175,000	1,335,000	-	125,000	1,210,000	130,000
Installment purchase agreements:							
1999 Republic Bank:							
Amount of Issue - \$1,758,000		\$42,841 -					
Maturing through 2006	4.85%	\$166,287	42,841	-	42,841	-	-
2001 Motorola 911 Radio System:							
Amount of Issue - \$184,948		\$26,244-					
Maturing through 2007	5.97%	\$31,231	88,513	-	27,811	60,702	29,471
2001 City of Grosse Pointe Farms 911 Radio System:							
Amount of Issue - \$222,140		\$46,899 -					
Maturing through 2005	5.91%	\$49,671	49,671	-	49,671	-	-
2003 Parks and Recreation Activity Center - Comerica Bank:							
Amount of Issue - \$2,250,000	3.80% -	\$100,000 -					
Maturing through 2018	4.60%	\$200,000	2,050,000	-	100,000	1,950,000	125,000
2003 Fire Truck:							
Amount of Issue - \$617,321		\$51,630 -					
Maturing through 2013	4.95%	\$75,990	516,496	-	54,185	462,311	56,868
2005 14917 Jefferson Avenue:							
Amount of Issue - \$315,000		\$15,000 -					
Maturing through 2011	7.83%	\$60,000	315,000	-	63,000	252,000	63,000
2005 14901 Jefferson Avenue:							
Amount of Issue - \$300,000							
Maturing through 2010	4.62%	\$60,000	300,000	-	60,000	240,000	60,000
Accrued compensated absences			1,006,471	68,283	-	1,074,754	-
Total governmental activities			<u>\$ 6,948,992</u>	<u>\$ 68,283</u>	<u>\$ 647,508</u>	<u>\$ 6,369,767</u>	<u>\$ 594,339</u>
<b>Business-type Activities</b>							
General obligation bonds:							
1996 Water and Sewer Fund Bonds:							
Amount of Issue - \$22,615,921		\$1,080,000 -					
Maturing through 2018	2.25%	\$1,440,000	\$ 16,460,000	\$ -	\$ 1,105,000	\$ 15,355,000	\$ 1,130,000
<b>Component Units</b>							
Installment Purchase Agreements:							
Land acquisition							
Amount of Issue - \$200,000							
Maturing through 2009	4.10%	\$40,000	\$ 160,000	\$ -	\$ 40,000	\$ 120,000	\$ 40,000
Land acquisition							
Amount of Issue - \$300,000							
Maturing through 2010	4.20%	\$60,000	300,000	-	60,000	240,000	60,000
Land acquisition							
Amount of Issue - \$200,000		\$20,666 -					
Maturing through 2011	7.00%	\$38,726	179,334	-	29,292	150,042	31,410
Land acquisition							
Amount of Issue - \$350,000							
Maturing through 2010	4.33%	\$70,000	-	350,000	-	350,000	70,000
Total component units			<u>\$ 639,334</u>	<u>\$ 350,000</u>	<u>\$ 129,292</u>	<u>\$ 860,042</u>	<u>\$ 201,410</u>

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 594,339	\$ 211,011	\$ 805,350	\$ 1,130,000	\$ 332,775	\$ 1,462,775	\$ 201,410	\$ 35,575	\$ 236,985
2008	613,913	187,361	801,274	1,155,000	307,069	1,462,069	203,680	26,093	229,773
2009	600,637	162,559	763,196	1,180,000	280,800	1,460,800	206,115	16,447	222,562
2010	648,737	139,238	787,975	1,205,000	253,969	1,458,969	168,726	6,626	175,352
2011	538,991	115,715	654,706	1,235,000	226,520	1,461,520	80,111	878	80,989
2012-2016	1,898,396	252,416	2,150,812	6,600,000	698,625	7,298,625	-	-	-
2017-2018	400,000	18,300	418,300	2,850,000	64,463	2,914,463	-	-	-
Total	<u>\$ 5,295,013</u>	<u>\$ 1,086,600</u>	<u>\$ 6,381,613</u>	<u>\$ 15,355,000</u>	<u>\$ 2,164,221</u>	<u>\$ 17,519,221</u>	<u>\$ 860,042</u>	<u>\$ 85,619</u>	<u>\$ 945,661</u>

### Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for claims related to property loss, torts, and errors and omissions. For workers' compensation claims, the City participates in the Michigan Municipal League Risk Pool. For medical benefits, the City previously purchased commercial insurance. As described below, the City is partially self-insured for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program for workers' compensation claims operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City is self-funding medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. The self-funding program is done in conjunction with the cities of Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Woods, and the Village of Grosse Pointe Shores. The Village of Grosse Pointe Shores serves as the administrative agent for the program; however, each municipality is responsible for their individual claims.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Risk Management (Continued)

The City records the deposits made to the claims administrator for payment of future claims in the amount of \$328,230 in the General Fund. The City estimates the liability for medical benefits claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The City's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. The entire liability is current and is recorded in the General Fund and government-wide statement of net assets. The liability estimated at June 30, 2005 was insignificant, due to self-funding beginning in May 2005. The changes in the estimated liability for the year ended June 30, 2006 are as follows:

Estimated liability - Beginning of year	\$ -
Estimated claims incurred	1,263,069
Claim payments	<u>(1,126,289)</u>
Estimated liability - End of year	<u>\$ 136,780</u>

### Note 8 - Pension Plan

**Plan Description** - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities throughout the state of Michigan. The system covers substantially all City employees and provides retirement, disability, and death benefits to plan members and their beneficiaries.

The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Employee membership data as of June 30, 2006 is as follows:

Active members	85
Retirees and beneficiaries	81
Inactive vested participants	<u>5</u>
Total plan participants	<u>171</u>

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 8 - Pension Plan (Continued)

All full-time City employees are eligible to participate in the MERS. Benefits vest after 10 years of service. City employees who retire at or after attaining a minimum service retirement age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to their average annual compensation during their last five years of employment multiplied by an entitled benefit percentage, for each year of credited service. The minimum service retirement age may be reduced with additional years of credited service. The MERS also provides death and disability benefits. These benefit provisions are established by state statutes and City ordinance.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by City ordinance and requires a contribution from the employees of varying amounts up to 5.5 percent of gross wages.

**Annual Pension Costs** - For the year ended June 30, 2006, the City's annual pension cost of \$507,296 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include: (a) a rate of return on investment of present and future assets of 8 percent per year, (b) projected salary increases of 4.5 percent per year compounded annually, (c) additional projected salary increases of up to 4.2 percent per year (depending on age) attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement.

### Three-year Trend Information

	Fiscal Year Ended June 30		
	2006	2005	2004
Annual pension cost (APC)	\$ 507,296	\$ 375,609	\$ 120,563
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2006

### Note 8 - Pension Plan (Continued)

#### Schedule of Funding Progress

	Actuarial Valuation as of December 31		
	2005	2004	2003
Actuarial value of assets	\$ 22,151,821	\$ 21,704,220	\$ 21,362,202
Actuarial Accrued Liability (AAL)			
(entry age)	\$ 28,883,038	\$ 27,700,583	\$ 26,326,436
Unfunded AAL (UAAL)	\$ 6,731,217	\$ 5,996,363	\$ 4,964,234
Funded ratio	77%	78%	81%
Covered payroll	\$ 5,129,892	\$ 4,906,359	\$ 4,971,415
UAAL as a percentage of covered payroll	131%	122%	100%

### Note 9 - Other Postemployment Benefits

The City provides postemployment health care benefits to all qualifying employees in accordance with labor contracts. These health care benefits are financed on a pay-as-you-go basis. Currently, 46 retirees meet the eligibility requirements. The City pays all of the medical insurance premiums for general employees until age 65. Expenditures for postemployment health care benefits of approximately \$400,000 were recognized as paid during the year ended June 30, 2006.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new standard will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.



# **City of Grosse Pointe Park, Michigan**

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## **Notes to Financial Statements June 30, 2006**

### **Note 10 - Joint Venture**

The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture, which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Farms, Grosse Pointe, Grosse Pointe Woods, Harper Woods, Mount Clemens, the Village of Grosse Pointe Shores, and the Township of Clinton. The City Council appoints one member to the Authority's governing board, which then approves its annual budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs.

The City's interest in the net assets of the Authority totaled \$72,166 at June 30, 2006 and is reported as part of the governmental activities in the statement of net assets. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from their administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

## **Required Supplemental Information**

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# City of Grosse Pointe Park, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 6,451,700	\$ 6,451,700	\$ 6,451,111	\$ (589)
Licenses and permits	183,800	183,800	192,787	8,987
Federal sources	-	-	41,269	41,269
State sources	1,140,836	1,140,836	1,126,836	(14,000)
Charges for services	660,400	660,400	757,059	96,659
Fines and forfeitures	619,900	619,900	560,558	(59,342)
Interest and rent	164,200	164,200	273,768	109,568
Other	510,800	510,800	446,178	(64,622)
Total revenue	9,731,636	9,731,636	9,849,566	117,930
<b>Expenditures</b>				
General government	1,480,300	1,488,914	1,063,121	425,793
Public safety	4,884,100	5,170,100	5,151,789	18,311
Public works	917,900	936,727	800,979	135,748
Recreation and culture	1,363,800	1,420,700	1,411,321	9,379
Debt service	165,454	165,454	165,513	(59)
Transfers to other funds	822,800	822,800	1,157,492	(334,692)
Total expenditures	9,634,354	10,004,695	9,750,215	254,480
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	97,282	(273,059)	99,351	372,410
<b>Fund Balance - Beginning of year</b>	769,831	769,831	769,831	-
<b>Fund Balance - End of year</b>	<u>\$ 867,113</u>	<u>\$ 496,772</u>	<u>\$ 869,182</u>	<u>\$ 372,410</u>

## **Other Supplemental Information**

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# City of Grosse Pointe Park, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Garbage and Rubbish Collection	Building Inspection Department	Drug Law Enforcement	Community Development Block Grant	Total Special Revenue Funds
<b>Assets</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ 3,908	\$ 43,513	\$ 40,421	\$ 87,842
Receivables - Net:							
Accounts	-	-	14,694	-	-	-	14,694
Other governmental units:							
Component units	-	-	-	-	-	-	-
Other	81,844	30,188	-	-	-	-	112,032
Due from other funds	308,403	68,241	318,388	-	187	-	695,219
Total assets	<u>\$ 390,247</u>	<u>\$ 98,429</u>	<u>\$ 333,082</u>	<u>\$ 3,908</u>	<u>\$ 43,700</u>	<u>\$ 40,421</u>	<u>\$ 909,787</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 2,385	\$ -	\$ 85,392	\$ 1,740	\$ 75	\$ -	\$ 89,592
Accrued and other liabilities	2,619	2,747	2,904	1,250	-	33,921	43,441
Due to other funds	68,466	79,302	-	-	-	-	147,768
Total liabilities	73,470	82,049	88,296	2,990	75	33,921	280,801
Fund Balances - Unreserved	316,777	16,380	244,786	918	43,625	6,500	628,986
Total liabilities and fund balances	<u>\$ 390,247</u>	<u>\$ 98,429</u>	<u>\$ 333,082</u>	<u>\$ 3,908</u>	<u>\$ 43,700</u>	<u>\$ 40,421</u>	<u>\$ 909,787</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006**

Debt Service Funds				
General Debt	Building Authority Debt	Total Debt Service Funds	Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ 590	\$ 1,387	\$ 1,977	\$ -	\$ 89,819
-	-	-	16,315	31,009
360	-	360	-	360
-	-	-	-	112,032
<u>500</u>	<u>-</u>	<u>500</u>	<u>78,607</u>	<u>774,326</u>
<b><u>\$ 1,450</u></b>	<b><u>\$ 1,387</u></b>	<b><u>\$ 2,837</u></b>	<b><u>\$ 94,922</u></b>	<b><u>\$ 1,007,546</u></b>
\$ -	\$ -	\$ -	\$ 50,260	\$ 139,852
-	-	-	-	43,441
<u>813</u>	<u>-</u>	<u>813</u>	<u>-</u>	<u>148,581</u>
813	-	813	50,260	331,874
<u>637</u>	<u>1,387</u>	<u>2,024</u>	<u>44,662</u>	<u>675,672</u>
<b><u>\$ 1,450</u></b>	<b><u>\$ 1,387</u></b>	<b><u>\$ 2,837</u></b>	<b><u>\$ 94,922</u></b>	<b><u>\$ 1,007,546</u></b>

# City of Grosse Pointe Park, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Garbage and Rubbish Collection	Building Inspection Department	Drug Law Enforcement	Community Development Block Grant	Total Special Revenue Funds
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ 930,963	\$ -	\$ -	\$ -	\$ 930,963
State sources	496,986	213,750	-	-	-	-	710,736
Charges for services	-	-	120,076	143,947	6,987	-	271,010
Interest and rent	1,100	1,200	-	-	-	-	2,300
Other	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>498,086</b>	<b>214,950</b>	<b>1,051,039</b>	<b>143,947</b>	<b>6,987</b>	<b>-</b>	<b>1,915,009</b>
<b>Expenditures</b>							
Current:							
Public safety	-	-	-	-	2,275	-	2,275
Public works	295,915	258,032	1,030,741	159,253	-	-	1,743,941
Capital outlay	19,517	357,282	74,751	-	-	-	451,550
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>315,432</b>	<b>615,314</b>	<b>1,105,492</b>	<b>159,253</b>	<b>2,275</b>	<b>-</b>	<b>2,197,766</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>182,654</b>	<b>(400,364)</b>	<b>(54,453)</b>	<b>(15,306)</b>	<b>4,712</b>	<b>-</b>	<b>(282,757)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	196,550	-	-	-	-	196,550
Transfers out	(196,550)	-	-	-	-	-	(196,550)
<b>Total other financing sources (uses)</b>	<b>(196,550)</b>	<b>196,550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(13,896)</b>	<b>(203,814)</b>	<b>(54,453)</b>	<b>(15,306)</b>	<b>4,712</b>	<b>-</b>	<b>(282,757)</b>
<b>Fund Balances - Beginning of year</b>	<b>330,673</b>	<b>220,194</b>	<b>299,239</b>	<b>16,224</b>	<b>38,913</b>	<b>6,500</b>	<b>911,743</b>
<b>Fund Balances - End of year</b>	<b>\$ 316,777</b>	<b>\$ 16,380</b>	<b>\$ 244,786</b>	<b>\$ 918</b>	<b>\$ 43,625</b>	<b>\$ 6,500</b>	<b>\$ 628,986</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

Debt Service Funds				
General Debt	Building Authority Debt	Total Debt Service Funds	Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 930,963
-	-	-	-	710,736
-	-	-	58,841	329,851
-	-	-	-	2,300
<u>44,500</u>	<u>-</u>	<u>44,500</u>	<u>-</u>	<u>44,500</u>
44,500	-	44,500	58,841	2,018,350
-	-	-	-	2,275
-	-	-	-	1,743,941
-	-	-	537,024	988,574
390,352	125,400	515,752	-	515,752
<u>145,558</u>	<u>58,826</u>	<u>204,384</u>	<u>32,801</u>	<u>237,185</u>
<u>535,910</u>	<u>184,226</u>	<u>720,136</u>	<u>569,825</u>	<u>3,487,727</u>
(491,410)	(184,226)	(675,636)	(510,984)	(1,469,377)
492,000	185,500	677,500	788,492	1,662,542
<u>-</u>	<u>-</u>	<u>-</u>	<u>(308,500)</u>	<u>(505,050)</u>
<u>492,000</u>	<u>185,500</u>	<u>677,500</u>	<u>479,992</u>	<u>1,157,492</u>
590	1,274	1,864	(30,992)	(311,885)
<u>47</u>	<u>113</u>	<u>160</u>	<u>75,654</u>	<u>987,557</u>
<u>\$ 637</u>	<u>\$ 1,387</u>	<u>\$ 2,024</u>	<u>\$ 44,662</u>	<u>\$ 675,672</u>